



**AUDIT COMMITTEE
of the
TECHNOLOGY SERVICES BOARD
DEPARTMENT OF TECHNOLOGY SERVICES**

**PUBLIC MEETING MINUTES
June 15, 2006**

The Audit Committee of the Technology Services Board met in open session, pursuant to the provisions of the Bagley-Keene Open Meeting Act, at approximately 2:30 p.m., in the Leonard Carter Conference Room at the State and Consumer Services Agency, located at 915 Capitol Mall, Sacramento, California 95814.

1. Chairman Clark Kelso called the meeting to order at 2:35 p.m.

Present:

Clark Kelso, Governor's Designee, Chairman
Michael C. Genest, Department of Finance (Designee Fred Klass)
Rosario Marin, State & Consumer Services Agency (Designee Will Bush)
Steve Westley, Controller (Designee Michael Carter), ex officio member

2. Consideration of the Audit Committee Charter
Chairman Kelso walked through the draft Audit Committee charter. There was discussion of the need to add an item under the General Duties of the Audit Committee regarding the committee's duty to review and accept all audits and require the DTS to satisfactorily follow-up on all audit findings. A motion to approve the charter with this amendment was made, seconded, and unanimously approved.
3. Consideration of the Statement of Work and Timeline for the Financial Audit of the Department of Technology Services (DTS)
Glen Matsuoka, Deputy Director for Administration at the Department of Technology Services, presented a draft Statement of Work and Timeline for the Financial Audit of DTS. The committee discussed the need to include a step for the Chair of the Technology Services Board to review and approve the award recommendation. It also discussed the need to change the language under the Key Dates section of the Statement of Work to reflect the fact that the Technology Services Board is required through statutes to engage an independent auditor, not DTS. A motion to approve the Statement of Work

and Timeline with these amendments was made, seconded, and unanimously approved.

There was also discussion regarding the potential that the audit would not be completed within the statutorily required 120 days after the close of the fiscal year, because financial statements are not finalized until September. Clark Kelso, the Chair, will send a letter to the Legislature informing them of any delays with the audit should they occur.

8. Meeting Adjournment – 3:30 p.m.



Technology Services Board
Audit Committee

**Charter
Date**

June 22, 2006

**Appointing
Authority**

J. Clark Kelso, Chairperson, Technology Services Board

**Audit
Committee**

Pursuant to authority granted to the Chairperson at the March 29, 2006, meeting of the Technology Services Board, the Chairperson has appointed the following members or their designees to serve on the Audit Committee:

- Chairperson of the Technology Services Board, who will serve as the committee chairperson;
- Director, Department of Finance;
- Secretary, State and Consumer Services Agency
- State Controller (ex officio and non-voting).

The Audit Committee, formally created by the Board and consisting of four members, qualifies as a "state body" under the Bagley-Keene Open Meeting Act, and is subject to mandatory notice and meeting requirements. (Government Code section 11121(c).)

Background

The Technology Services Board's organic statute requires the Board to conduct an annual financial audit and authorizes the Board to conduct such other audits as may be necessary or prudent. In particular, Section 11537 of the Government Code provides as follows:

“(a)The board shall engage an independent firm of certified public accountants to conduct an annual financial audit of all accounts and transactions of the department. The audit shall be conducted in accordance with Generally Accepted Government Auditing Standards. The audited financial statements shall be presented to the board, the Governor, and the Legislature not more than 120 days after the close of the fiscal year.

(b) The board may arrange for other audits as are necessary or prudent to ensure proper oversight and management of the department.”

Purpose

The Audit Committee has been established to implement, on behalf of the Board, the audit responsibilities and powers of Section 11537 of the Government Code.

Organization and Structure	<p>A. The Chairperson of the Technology Services Board will serve as the Chairperson of the Audit Committee.</p> <p>B. The Committee shall meet as often as it deems necessary, but not less than twice annually. The Chairperson may call special meetings of the Committee as the Chairperson deems necessary.</p> <p>C. A quorum shall consist of two of the voting members of the Audit Committee, and all actions of the Audit Committee shall be by majority vote of the voting membership of the committee.</p>
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General Duties	<p>A. The Audit Committee shall oversee the engagement of an independent firm of certified public accountants to conduct an annual financial audit of all accounts and transactions of the department. The audit shall be conducted in accordance with Generally Accepted Government Auditing Standards. The audited financial statements shall be presented to the board, the Governor, and the Legislature not more than 120 days after the close of the fiscal year.</p> <p>B. The Audit Committee shall review and accept all audits and require the DTS to satisfactorily follow-up on all audit findings.</p> <p>C. The Audit Committee may arrange for other audits as are necessary or prudent to ensure proper oversight and management of the department.</p>
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Approvals	<p>Technology Services Board Audit Committee:</p> <p>J. Clark Kelso, Chairperson, Technology Services Board</p> <p>Fred Klass, Program Budget Manager, Department of Finance</p> <p>Will Bush, Undersecretary, State and Consumer Services Agency</p> <p>Michael Carter, Chief Operating Officer, State Controller's Office (ex officio)</p>	<p>Date:</p> <p>June 22, 2006</p>
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Statement of Work Annual Financial Audit

June 15, 2006

I. Background and Purpose

The Department of Technology Services will undertake a financial audit as set forth and required by Government Code Section 11537:

“(a) The board shall engage an independent firm of certified public accountants to conduct an annual financial audit of all accounts and transactions of the department. The audit shall be conducted in accordance with Generally Accepted Government Auditing Standards. The audited financial statements shall be presented to the board, the Governor, and the Legislature not more than 120 days after the close of the fiscal year.

(b) The board may arrange for other audits as are necessary or prudent to ensure proper oversight and management of the department.”

The DTS provides information technology services to state and local government agencies on a cost-reimbursement basis. It accounts for its revenues and expenses through the DTS Revolving fund (Fund). The Fund is self-supporting and totally dependent upon its generated revenues. The primary elements to review and analyze are as follows:

1. Audit the condition of the Department of Technology Services Revolving Fund (Fund) for the fiscal year ending June 30, 2006.
2. Audit the financial statements of the Fund in accordance with Generally Accepted Government Auditing Standards for the fiscal year ending June 30, 2006.

II. Key Dates

It is recognized that we are on a very short time frame. The Technology Services Board) TSB is required by statute to engage an independent auditor to audit the DTS' annual financial statements and present a report 120 days after the close of the fiscal year, October 31, 2006. The firm selected to conduct the audit must submit a detailed Work Plan to DTS by July 17, 2006.

III. Amount

The total amount of this Agreement shall not exceed \$200,000 for the five (5) month term of this contract, July 10, 2006 through November 30, 2006.

Timeline
Annual Financial Audit
June 15, 2006

Description	Due Date
Submit Service Request	June 1, 2006
Release of RFO	June 28, 2006
RFO Response Submission Due	July 5, 2006
Evaluation Review / Interview (if requested)	July 6-11, 2006
Review and Approval by the State CIO	July 10, 2006
Recommendation of Award	July 11, 2006
Commencement of Services	July 12, 2006
Detailed Work Plan	July 19, 2006